

Welcome



Office of the Governor



Arizona School Finance

Equitable Funding Structure Work Group
July 30, 2015

Funding of Schools

1900 – 1950

- Very little state assistance
- Very little state control
- Ability to fund educational programs based upon wealth of community

1950 – Today

- Gradual increase in state assistance
- Gradual increase in state control
- Higher level of equity between school districts

1980 Reforms

- Reduce disparities in tax rates
- Equalize per-pupil spending
- Decrease reliance on property taxes for schools
- Limit property tax growth
- Allow local prerogative of voter-approved budget overrides
- Distinguish between primary and secondary (voter-approved) taxes

2015-16 Group A Concept Elementary and High School

	<u>Basic Wt.</u>	<u>Group A Wt.</u>	<u>Total*</u>
Elem.	1.00 - \$3,469.57	0.158 - \$548.19	1.158 - \$4,017.76
H.S.	1.163 - \$4,035.11	0.105 - \$364.30	1.268 - \$4,399.41

Regular education - special services:

Specific learning disability

Mild mental retardation

Speech/language impairment

Other health impairment

Preschool/speech lang. delay

Preschool/moderate delay

Emotional disability

Remedial education

Homebound

Bilingual

Gifted

Career Exploration

*Includes 1.25% for "Teacher Compensation"

** Not including \$54.31 added to the Base Level for FY 2016 (Laws 2015, Ch. 8)

Small School District/Charter Funding Weights 2014-15 School Year

District Size	<u>Elementary</u>		<u>High School</u>	
	<u>Small Isolated</u>	<u>Small</u>	<u>Small Isolated</u>	<u>Small</u>
Over 600	\$4,017.76	\$4,017.76	\$4,399.41	\$4,399.41
500				
400		increases up to		
300				
200				
99	\$5,409.06	\$4,853.93	\$5,790.71	\$5,409.06
	+34%	+21%	+32%	+23%

*Isolated = no schools within 30 miles of another district or if road conditions and terrain make the driving slow or hazardous; 15 miles

Group B Add-On

<u>Category</u>	<u>Weight</u>	<u>Amount</u>
K	1.352	\$2308*
K-3	0.060	\$ 208
K-3 Reading	0.040	\$ 139
English Learners	0.115	\$ 399
Disabled Students	Range from \$10,956 to \$27,570	

Hearing Impaired, Multiple Disabilities, Physically Impaired, Moderate Mental Retardation, Severely Emotionally Disabled, and Visual Impairment

*Old Funding for Full Day K

Group A Concept

Extra funding for every student = Expenditures for special needs students

- No financial incentive to put students in
- No financial incentive not to end services
- Assumes fairly equal distribution of students

Group B Concept

Extra funding for
specific students

=

Expenditures for
specific students

- Identification criteria clear
- Parents follow programs

2014-15 District Additional Assistance

- DAA K-8 = \$450*
- DAA 9-12 = \$492*
- DAA textbooks 9-12 = \$69.88*

* Same amount since 1998-99

District Additional Assistance (DAA) FY 2016

- No increase in formula amount
- Existing reduction of \$238,985,500 remains
- New reduction of \$113,457,200 added
- Total reduction for FY2016 \$352,442,700
- Reduction for districts with less than 1,100 students remains capped at \$5,000,000
- Estimate reduction at 85% for districts with 1,100 or more students
- Reductions to both state aid and non-state aid districts

District Base Level Add-ons

- **Teacher compensation**
 - Increase Base Level by 1.25% if SBE approves “performance evaluation system” i.e. certification
- **Teacher experience index**
 - 2.25% increase to BSL for each year of experience above average
- **Career ladder**
 - 28 districts get additional increase to Base Level and no new teachers with 4 year phase out (Ends with 2014-15 School Year)

District Support Level + Additional Assistance = Equalization Base

Weighted student
count

X

Base support amount

+

Teacher experience
index & Performance
incentives

+

Transportation
support

+

Unweighted
student count

X

Additional
assistance

(adjusted for
district size)

Equalization (“Foundational”) Funding

Equalization Base

—

QTR Levy
(Property Tax)

=

State Aid
(General Fund)

Two Hypothetical Unified Districts

“Property Rich”

- \$4,145 x 1,000 (weighted ADM)
\$4,145,000 guaranteed
- Local property taxes
\$50,000,000/\$100
(district’s taxable value)
x
- \$4.1954 QTR
equals **\$2,097,700**
(50.6% of guaranteed amount)
- State (& county)
\$4,145,000 minus \$ 2,097,700
equals **\$2,047,300**
(49.4% of guaranteed amount)

“Property Poor”

- \$4,145 x 1,000 (weighted ADM)
\$4,145,000 guaranteed
- Local property taxes
\$25,000,000/\$100
(district’s taxable value)
x
- \$4.1954 QTR
equals **\$1,048,850**
(25.3% of guaranteed amount)
- State (& county)
\$ 4,145,000 minus \$1,048,850
equals **\$3,096,150**
(74.7% of guaranteed amount)

Property Tax Components Impacting the General Fund

- Qualifying Tax Rate (QTR)
- State Equalization Tax Rate (SETR)
- Truth in Taxation (TNT) and the current value of existing property
- Additional state aid: homeowner rebate and one-percent cap



Some District Budget Categories ...

- **are paid from local property taxes ..**
- **... causing issues with per-pupil spending and taxation**

District Revenue Control Limit

District Support Level

(Equalization Base)

+

**Transportation
Revenue
Control Limit**

=

Revenue Control Limit

Voter-Approved Budget Categories

- M&O budget overrides
(15% of RCL)
- Capital budget overrides
(10% of RCL)
- General obligation bonds
(10% or 20% of NAV)

Outside Equalization Base

- Desegregation/OCR
- Adjacent Ways
- Transportation:TRCL-TSL
- Small School District Adjustment
- Dropout Prevention
- Interest on Registered Warrants

Other Major Revenue Sources 2015-2016

- Classroom Site Fund – Prop 301*
(\$327 per weighted count)
- Instructional Improvement Fund –
Indian Gaming (\$40 per student)
- New Student Success Funding Program (\$21.5
Million) Ended in FY 2015

*Low of \$120 in FY2011 and FY2012/High of \$401 in FY2008
Up by \$32 10.8% for FY2016

Prop. 30 I and Inflation Funding

- 0.6-cent sales tax approved by voters in Nov. 2000, expires in 2021
- “For fiscal year 2006-2007 and each year thereafter, the legislature shall increase the base level or other components of the revenue control limit by a minimum growth rate of either two per cent or the change in the GDP price deflator...”

Rollover For FY2016

- Continues to defer \$930,727,700 in basic state aid for FY 2016 in FY 2017
- Continues to exempt school districts with less than 600 Students
- Rollover payments to be made no later than July 12, 2016
- Continues to require school districts to include in FY2016 revenue estimates of the rollover monies that they will receive

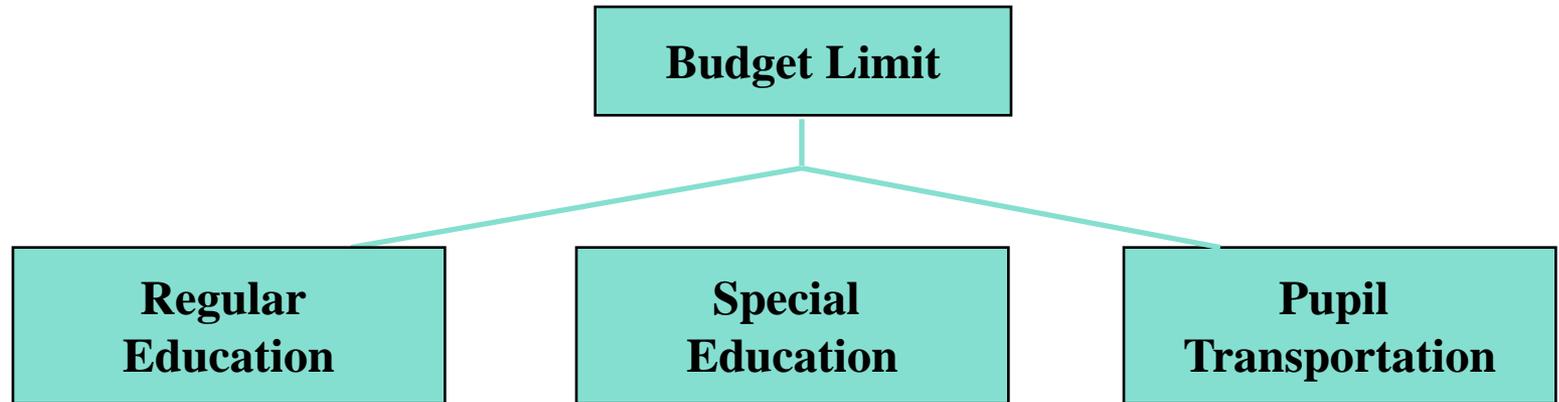
FY 2016 Funding Formula

- Transportation Support Level (TSL)
- 1.59% Increase
- \$2.04 per mile increases to \$2.07
- \$2.49 per mile increases to \$2.53

Transportation Formula

- Transportation Support Level TSL
- Transportation Revenue Control Limit (TRCL)
- TRCL can not exceed TSL by more than 120% (Since 2006-2007)

School District Governing Board Allocates Funds to Regular, Special and Pupil Transportation Program from Budget Limit



Special Ed. includes:

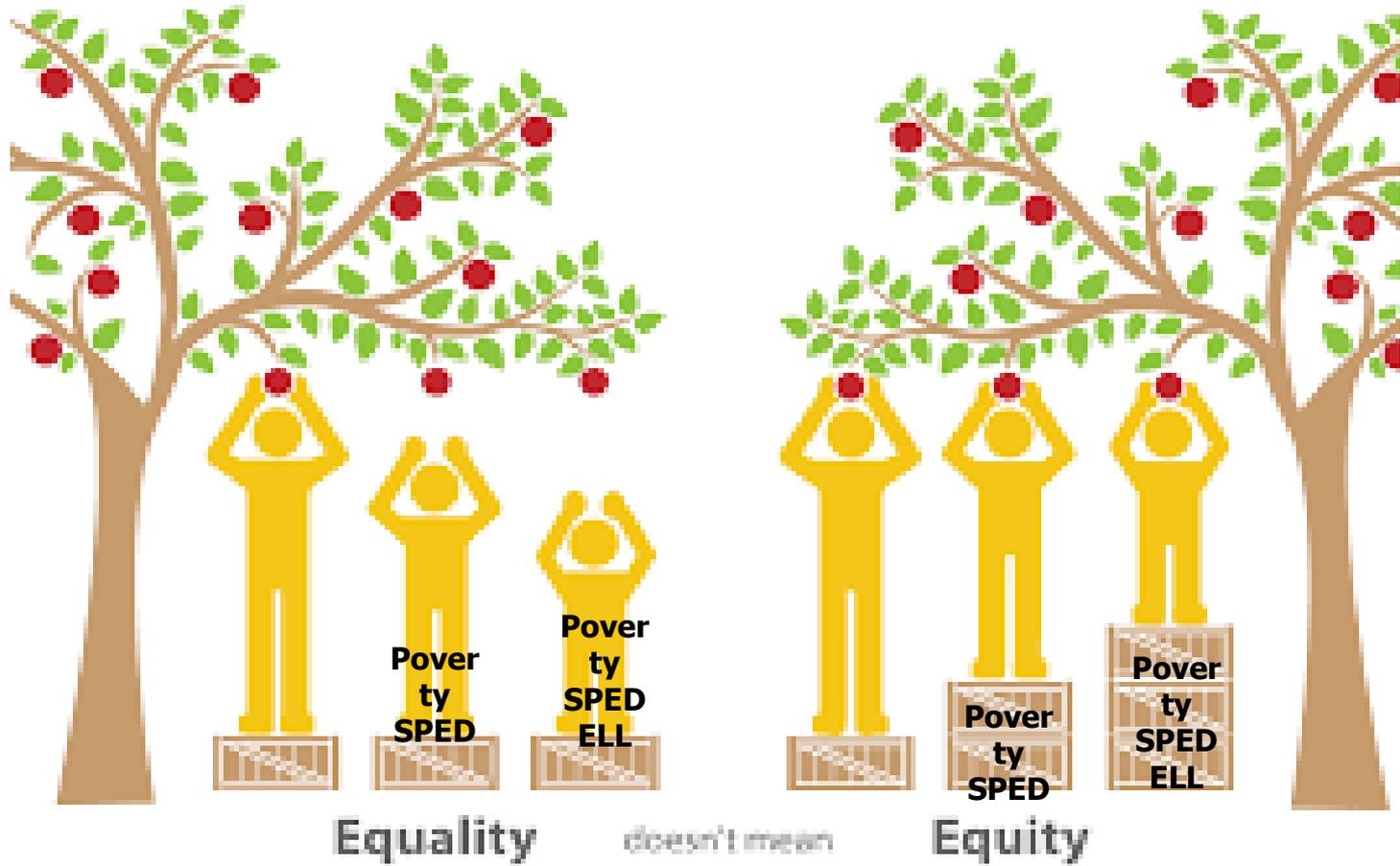
- A. Programs for the handicapped
- B. Gifted education
- C. Programs for LEP students
- D. Remedial education
- E. Vocational and technical education
- F. Career education



Financial Management Salary and Benefits

85-90% of Operating Budget

Goal: Equitable Funding Structure





HOW ARE ARIZONA PUBLIC SCHOOLS FUNDED?

Technically, Arizona does not fund schools, nor does it fund students. Instead, the state provides funding to local school districts and independent charter holders that, in turn, distribute resources to their school sites. This graphic shows the various sources of revenue that fund our public schools. Core Funding is, for the most part, equitably provided to districts and charters. Supplemental Funding varies for each individual district or charter and is unreliable as the amounts can vary every year.

Each revenue source (circle) is shown relative to the size of all sources of funding. The shades of colors within each circle represent the proportion of each funding component.

CORE FUNDING

BASE AMOUNT

This is the starting point of the equalization formula, theoretically the same for every student in the state. The base amount is higher for almost all districts, since nearly all have the *Teacher Compensation 1.25%*.
Provided to all, amount varies

Funding based on TEACHERS

- TEACHER COMPENSATION 1.25%**
To fund districts with approved teacher evaluation systems
- TEACHER EXPERIENCE INDEX**
To fund teacher compensation
Provided to some districts, amount varies, not available to charters

EQUALIZATION FORMULA

Provided to all, amount varies

The state equalization formula provides for the basic instructional and operational functions of schools. The amount of funding a district or charter receives is based on its size, the grade levels served, number of students with special education or language needs, and teacher characteristics (districts only). Charter schools' core funding comes entirely from the state general fund whereas districts' core funding comes from both the state general fund and local property taxes. A portion of these property taxes are directed by the state and some are locally approved.

Funding based on STUDENT CHARACTERISTICS

Also known as Group A and Group B weights, these additional funds allocated based on the number of students with special educational needs, including English Language Learners, as well as the size of the district or charter (if under 600 students), and the grade levels served (elementary vs. high school).
Provided to all, amount varies

ADDITIONAL ASSISTANCE

Additional Assistance accounts for the largest difference in Core Funding between districts and charters.

CHARTER

Provides funds intended for:
• Transportation
• Technology and textbooks
• All capital needs, including school buildings
Provided to all, amount varies

DISTRICT

Provides funds intended for:
• Transportation
• Technology and textbooks
Provided to all, amount varies

SUPPLEMENTAL FUNDING



Additional levies on the LOCAL PROPERTY TAX

■ **ADJACENT WAYS**
Funds are used to pay for expenses related to new construction, e.g., sale egress or ingress from schools, creation and improvements of bus and fire lanes, or improvements to adjacent roadways.

■ **DESEGREGATION**
Provides funding to 19 school districts that are under a federal court order to rectify discriminatory practices

■ **DROPOUT PREVENTION**
Funds activities in districts with high dropout rates to help keep students in schools.
Provided to some districts, amount varies; not available to charters



Revenue sources for SCHOOL BUILDINGS

Funds are allocated from the state general fund to the School Facilities Board for new school building construction, building renewal, and debt service.
Available to some districts, amount varies; not available to charters



Additional property tax revenues based on LOCAL ELECTIONS

■ **BONDS**
Used for building school facilities

■ **M & O OVERRIDES**
Used to pay for teachers

■ **CAPITAL OVERRIDES**
Used for textbooks and technology

■ **K-3 OVERRIDES**
Fund early elementary education
Provided to some districts, amount varies; not available to charters



Revenue from FEDERAL DOLLARS

Targeted programs such as Title I, Individuals with Disabilities Education Act, National School Lunch Program, and competitive grants.
Outside the state's control; Provided to nearly all, amount varies



Revenue from PROPOSITIONS/ VOTER INITIATIVES

CLASSROOM SITE FUND/ INSTRUCTIONAL IMPROVEMENT FUND

Helps fund teacher compensation, teacher performance pay, dropout prevention
Provided to all, equal amount



Revenue from STATE GRANTS

Targeted programs such as the Structured English Immersion Fund and K-3 Reading.
Provided to some, amount varies



Revenue from TAX CREDITS

TAXPAYER DONATIONS
Private citizens may donate up to \$200 as an individual or \$400 as a couple to a school and deduct it from their taxes. Funds are used for student activities and extra curriculars.
Provided to some, amount varies

K-12 Student Funding Formula

- The state formula provides for basic instructional and operational functions of schools.
 - Funding is based on size, number of students (with special needs and language minorities) and teacher characteristics.
- Charter student funding comes entirely from the state's general fund
- District student funding comes diverse sources including the general fund, local property taxes, bonds and overrides
- Online and JTED students funded differently

Core Funding- Equalization Formula

- Base Amount- Provided to all, amount varies
- Student Characteristics
 - Group A and B weights, provided to all, amount varies
- Additional Assistance
 - Charter: All capital needs; transportation, technology and textbooks
 - District: transportation, technology and textbooks

DISTRICT ONLY: Not Available to Charters

Teacher Funds

- Experience: provided to some districts, amount varies,
- Compensation: to districts with approved evaluation systems

Supplemental Funding

District Only: Not Available to Charters

- Local Property Tax- additional levies provided to some districts, amounts vary
- School Buildings- School Facilities Board funds provided to some districts, amounts varied
- Local Elections- bonds and overrides (K-3, M&O and Capital) available to some districts, amounts vary

Available to All Students

- Propositions/Voter Initiatives-all public students receive equal amount

Public Student Supplemental Funding

- State Grants- provided to some, amounts vary
- Tax Credits- individual contributions to some, amounts vary
- Federal Funding- outside of the state's control (except for FY 16 decrease in Title I funding), provided to nearly all, amounts vary

Questions??



Adjourn



Office of the Governor